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Report to the Director, Office of Management and Budget

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PROCUREMENT

Assessment of the Office of Federal Procurement Policy

GAO/NSIAD-88-35

GAO
United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-206262

November 20, 1987

The Honorable James C. Miller, III
Director, Office of Management
and Budget

Dear Mr. Miller:

As part of our continuing effort to review operations of federal central management agencies, we assessed the Office of Federal Procurement Policy (OFPP). This report discusses the continuing need for OFPP and assesses its performance. It presents the perceptions of the procurement community on how effective OFPP has been in providing leadership for setting government-wide procurement policy as initially envisioned by the Commission on Government Procurement.

This report contains recommendations to you in chapter 4. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to appropriate congressional committees as well as other interested parties.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

In 1974, the Congress responded to increasing criticism about the complexity and poor management of federal procurement by creating the Office of Federal Procurement Policy (OFPP). OFPP was to provide executive branch procurement policy leadership, and to coordinate federal procurement policies and practices. OFPP was initially authorized for 5 years and was subsequently reauthorized in 1979 and 1983. OFPP's most recent authorization expired on September 30, 1987. OFPP is currently operating under the continuing resolution.

GAO initiated a general management review of OFPP as part of its continuing effort to assess operations at selected central management agencies.

Background

OFPP, located within the Office of Management and Budget (OMB), was created to simplify and bring consistency to federal procurement. Under its current authorizing legislation, OFPP was given two basic authorities: to provide overall procurement policy direction and leadership in developing executive branch procurement systems and to prescribe government-wide procurement policy. The authority is further defined in legislation in terms of specific OFPP functions. The authority to prescribe government-wide procurement regulations is shared among the General Services Administration (GSA), the National Aeronautics and Space Administration (NASA), and the Department of Defense (DOD). OFPP's authority to issue regulations is limited to situations where GSA, NASA, and DOD are unable to agree on or fail to issue government-wide regulations on time.

To gather a broad range of views from the procurement community about OFPP's past performance and future role, GAO obtained information from a questionnaire completed by procurement executives at 24 government agencies which collectively purchased over 95 percent of the government's goods and services in fiscal year 1985, and by 52 members of 8 private industry associations who had extensive experience in government procurement. GAO also interviewed key OFPP and OMB officials, former OFPP Administrators, and other procurement experts from the military services. In addition, GAO collected and analyzed correspondence and documents from OFPP.

Results in Brief

GAO found that the procurement community believes that a central policy office is needed and that OFPP is the organization to perform this function. However, since its inception in 1974, OFPP has not consistently

attained and maintained the leadership role in setting the federal procurement policy initially envisioned. OFPP is perceived as more effective under an appointed administrator and, conversely less effective during lengthy periods under acting administrators. Prior to the appointment of the current administrator, the post was vacant for almost 2 years. Since the appointment of the current administrator, there are indications that OFPP has begun to exercise its authority more assertively.

Principal Findings

Need for a Central Procurement Policy Office

Both government and private sector officials believe that a central procurement policy-making office is needed to oversee government procurement. They support the reauthorization of OFPP, and believe that OFPP can improve the effectiveness of the government's procurement system. Respondents believe that OFPP can address such matters as the procurement community's views on major issues, ensuring uniformity within the Federal Acquisition Regulation (FAR) and its supplements, coordinating the executive branch position on new legislation, and working to professionalize the procurement work force. While a majority of the procurement executives and industry representatives believe that OFPP should be located in OMB, a substantial minority believe that OFPP should be independent.

OFPP's Performance Has Been Uneven

OFPP's performance during the most recent reauthorization period, despite notable achievements such as implementing the FAR, was considered by many members of the procurement community as no more than marginally effective. The procurement community believed that OFPP has not effectively performed several of its basic statutory functions, such as providing overall procurement policy direction and leadership, maintaining the FAR and reviewing FAR supplements, soliciting viewpoints from interested parties on procurement matters, and professionalizing the procurement work force. Furthermore, many also believe that OFPP has not actively sought feedback from users of the procurement system, or initiated action to address problems. The experts identified factors that they perceived as contributing to this uneven performance: a lack of strong management and leadership at OFPP, inadequate support from OMB, and a lack of staff resources. Some also believed that lengthy periods without an appointed administrator hindered OFPP's effectiveness. Few procurement experts believe that OFPP

can improve the government's procurement system unless these factors are addressed.

OFPP has begun to exercise its authority more assertively in conducting a needed review of all agency procurement regulations and issuing several letters directing that specific procurement regulations be withdrawn or conformed to existing policy.

Recommendations

GAO recommends that the Director of OMB provide the support needed to assure that OFPP will be able to effectively perform its functions such as those concerning

- overall procurement policy direction,
- coordination in developing executive branch positions on procurement related legislation, and
- leadership in dealing with procurement work force issues.

GAO also recommends that the Director of OMB insure that the position of OFPP Administrator does not remain vacant for long periods. The timely appointment and confirmation of an Administrator is important to demonstrate commitment to OFPP's mission.

Agency Comments

Overall, OFPP stated that GAO's report provided a useful assessment of OFPP's performance since the reauthorization of the office in 1983.

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Abbreviations

DOD	Department of Defense
FAR	Federal Acquisition Regulation
GSA	General Services Administration
NASA	National Aeronautics and Space Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget

Introduction

In 1967 and again in 1969, the Congress held extensive hearings concerning the status of federal procurement. The Congress concluded that the federal procurement process was overly complex and the use of patchwork solutions was not the answer to resolving procurement problems. Further, the Congress realized that the procurement process was economically and politically important and of great concern to both the public and private sectors. Therefore, in 1969 the Congress established the Commission on Government Procurement to study the federal procurement system and to recommend ways to promote greater economy, efficiency, and effectiveness within the system.

In its 1972 report, the Commission attributed many problems to "a void in policy leadership and responsibility, and a fragmented and outmoded statutory base." To fill the leadership void, the first of the Commission's 149 recommendations was that a central procurement policy office be established to "take the leadership in procurement policy and related matters." The Commission further recommended that this office consist of a small, highly competent cadre of seasoned procurement professionals preferably located within the Office of Management and Budget (OMB).

After the Commission issued its report, the Congress established the Office of Federal Procurement Policy (OFPP) in 1974. Consistent with the Commission's recommendations, OFPP was authorized to provide executive branch leadership and coordination over all federal procurement policies, kept small, and placed within OMB. Placement within OMB represented an attempt to give OFPP sufficient clout to deal with broad procurement policy. By statute, OFPP was authorized for 5 years. Subsequently, in 1979[1] and again in 1983,[2] the agency was reauthorized with some modifications. OFPP's most recent authorization expired on September 30, 1987. OMB has submitted a proposal for extending OFPP's authorization for 4 more years and the Congress has not yet passed a final bill. OFPP is currently operating under the continuing resolution.

[1]Public Law 96-83, Office of Federal Procurement Policy Act Amendments of 1979.

[2]Public Law 98-191, The Office of Federal Procurement Policy Act Amendments of 1983.

Procurement Remains Complex

Federal procurement has more than tripled over the last 15 years, from about $58 billion in fiscal year 1972 when the Commission issued its report, to roughly $190 billion in fiscal year 1987. The procurement process itself can be viewed as complex interactions among three major segments—industry, executive agencies, and the Congress—each serving different roles. The Congress provides funds for the procurement of goods and services, as well as a basic statutory framework and needed oversight. The agencies define needs and procure goods and services from industry according to rules established consistent with legislation, and industry provides the needed goods and services.

These interactions take place within an environment containing thousands of statutory and regulatory provisions and occur at all levels and among numerous subunits within each entity. More specifically, the Congress has numerous committees and subcommittees within both houses that interact with various divisions, branches, and groups within most executive branch agencies on procurement related legislation. Furthermore, each executive agency establishes its own procurement priorities based on its specific mission, and interacts with the Congress and industry to satisfy its needs. Finally, the industrial sector is composed of thousands of companies and corporations involved in manufacturing everything from sophisticated aircraft to paper clips, as well as providing various services. These manufacturing and service entities support numerous trade associations which also interact with both the Congress and the executive agencies.

The Congress created OFPP to provide leadership and procurement policy direction within this complex environment. Past administrators told us that in order to be effective in this environment, OFPP must have the support of OMB's top management. OFPP's broad responsibilities and relatively small staff compels it to rely on the executive agencies for support in implementing needed policy changes. According to past administrators, OMB's backing is occasionally required to insure agency cooperation with OFPP.

Recent OFPP Initiatives

Since 1979, OFPP has undertaken several major efforts to improve the procurement system. In its 1979 authorizing legislation, OFPP was directed by the Congress to develop a comprehensive approach to procurement system reform. OFPP, with extensive cooperation and support from the executive agencies, responded by issuing its Proposal for a Uniform Federal Procurement System in February 1982. This document

included proposals for streamlining the procurement system, establishing procurement system standards, enhancing professionalism within the procurement system, and creating a procurement executive within each agency with overall responsibility for agency procurement. In addition, the proposal envisioned a single system of federal acquisition regulations which would be developed and maintained by the agencies and OFPP.

Shortly after issuing the proposal for a uniform federal procurement system, OFPP began to implement many recommendations. For example, OFPP was largely responsible for drafting Executive Order 12352, issued in March 1982, which implemented those recommendations not requiring legislative change. One such change was the creation of procurement executive positions within executive agencies, centralizing responsibility and authority for all agency procurement. Some of the recommendations requiring legislative changes were later included in the Competition in Contracting Act.

The Federal Acquisition Regulation (FAR) was issued on April 1, 1984, under the respective regulatory authorities of the General Services Administration (GSA), Department of Defense (DOD), and National Aeronautics and Space Administration (NASA). The FAR was developed under OFPP leadership and is an attempt to consolidate common existing federal procurement regulations into a single simplified government-wide procurement regulation. Two councils consisting of representatives from executive agencies—the Defense Acquisition Regulation Council and the Civilian Agency Acquisition Council—maintain the FAR and make regulatory changes where necessary. OFPP can only prescribe FAR regulations and procedures if the two FAR councils are unable to agree on, or fail to issue, regulations in a timely manner. Initially, it was proposed that OFPP chair a single FAR maintenance council, but this proposal was rejected, reportedly due to strong objections from DOD, and the two council process was instituted instead.

OFPP Authorities and Functions

Under the 1983 statute, OFPP was given two basic authorities. They are to

- provide overall procurement policy direction and leadership in developing executive branch procurement systems and
- prescribe government-wide procurement regulations and procedures if members of the two FAR councils are unable to agree on, or fail to issue, regulations and procedures in a timely manner.

These authorities are further defined in terms of specific authorized functions. (See app. I for a complete list of OFPP's authorities and functions.) Included among OFPP's specified functions are

- providing leadership and ensuring action by the executive agencies in the establishment, development and maintenance of the single system of simplified government-wide procurement regulations, and resolving differences among agencies that arise relative to these regulations;
- soliciting viewpoints of interested parties in developing procurement policies, regulations, procedures, and forms;
- providing leadership in formulating the executive branch position on procurement legislation; and
- providing for a Federal Procurement Data System to maintain data about federal procurement, and a Federal Acquisition Institute to foster and promote professionalism within the federal acquisition work force.

Recent legislation has proposed that OFPP be assigned two additional functions: (1) promulgating, amending, and interpreting cost accounting standards applicable under federal contracts and (2) developing information related to the profitability of companies providing goods and services to the federal government under negotiated contracts based on cost and pricing data. We have testified in support of both pieces of legislation and believe that OFPP could assume both functions with a minimum of additional staff. We have also issued a report[3] which supports an OFPP role in monitoring contractor profits.

Providing Procurement Policy Direction

In carrying out its responsibilities, OFPP has often relied on its policy-making authority. According to OFPP officials, the process OFPP uses to carry out this authority has four major components:

- data gathering and analysis,
- policy formulation,
- policy implementation, and
- policy oversight.

In practice, this process would be continuous. For example, the oversight component could provide information for the data gathering component.

[3]Government Contracting: A Proposal for a Program to Study the Profitability of Government Contractors (NSIAD-87-175, September 1987).

Data Gathering and Analysis

OFPP gathers and analyzes procurement data in numerous ways. For example, the OFPP Administrator chairs the Executive Committee on Federal Procurement Reform. The council is composed of government procurement executives and can provide OFPP with information on current government-wide procurement problems, as well as feedback on how well recent initiatives are working. Also, representatives from the private sector can express their concerns on proposed policies to OFPP through correspondence or by regularly scheduled or informal meetings. Where appropriate, OFPP also holds public meetings to obtain views and suggestions. Furthermore, OFPP performs its own studies of specific problems and has access to a variety of procurement studies completed by agencies or outside consultants.

By analyzing data obtained from these and other sources, OFPP's professional staff, at times supplemented with procurement analysts from other agencies, can determine whether or not a procurement policy change is needed.

Policy Formulation

After identifying a needed change, OFPP staff begin to formulate the needed policy change. In doing so, the staff must also determine the best approach for making the change. OFPP can select one of four methods:

- drafting legislation to change an existing law or to formulate a new law,
- drafting executive orders to be signed by the President,
- drafting OMB Circulars to communicate a significant government-wide policy of a continuing nature, or
- writing policy letters—directives of a continuing nature issued by the OFPP Administrator based on the Administrator's authority to give direction or instruction on the procurement of goods and services.

According to OFPP officials, OFPP prefers to address problems through administrative solutions rather than proposing new legislation. Although OFPP has used each of the above methods in the past, the most frequently used administrative approach is the issuance of policy letters. Policy letters often deal with specific concerns and are usually less general than either executive orders or OMB Circulars.

According to OFPP officials, OFPP always obtains comments from the procurement community on draft policy letters. Drafts are discussed on an informal basis with government and private industry procurement experts, whose comments are obtained and analyzed. This effort can result in several iterations of the proposed draft and span months. Once

the draft is agreed on, the proposal is published in the Federal Register and all interested parties can submit their comments. The OFPP staff finalizes the policy after analyzing all of the comments received.

Implementing Policy Letters

Even though policy letters do not change existing laws and can only be issued under existing executive branch authority, OFPP must obtain OMB concurrence before publishing draft and final policy letters in the Federal Register. Once issued, however, policy letters must be incorporated into the FAR and followed by executive agencies.

Overseeing Policy Implementation

Since the regulatory process represents the primary vehicle for implementing changes in procurement policy, OFPP focuses much of its oversight efforts on the FAR Councils. The two councils, which develop the implementing language that is published in the FAR, submit quarterly progress reports to OFPP.

OFPP has recently initiated a new and more thorough regulatory review process. This process includes reviewing not only rules issued through the FAR but also those issued by agencies and their subordinate elements as supplements to the FAR. In addition to examining new rules in their draft and final form, OFPP will also examine existing rules where it appears that such rules are overly burdensome, needlessly complicate the procurement process, or are inconsistent with federal procurement policy.

According to OFPP officials, OFPP also receives feedback from the Federal Procurement Council on implementation of procurement regulations by the executive agencies. In addition, OFPP can participate in OMB's reviews of an agency's budget or management initiatives where procurement initiatives may also be discussed. OFPP personnel can use this opportunity to question agency officials on how well their agency is implementing specific procurement regulations.

OFPP Staffing and Funding

In fiscal year 1987, OFPP was authorized 25 staff positions—18 professional and 7 support staff. As of October 1986 and before the appointment of the current administrator, OFPP had 13 employees—8 professionals and 5 support staff. Since the current administrator was appointed in November 1986, and as of June 1987, OFPP has filled 21 of the Office's 25 authorized positions. This is, according to OFPP officials, the maximum number of positions that can be supported with OFPP's

current budget. OFPP has requested an increase of 7 professional staff positions, for a total of 32, in OFPP's fiscal year 1988 budget request.

In fiscal year 1986, OFPP expenditures totaled $1.5 million and its fiscal year 1987 appropriations were $1.6 million. For fiscal year 1988, the President has requested a 54-percent funding increase which, if approved, will result in a budget of $2.466 million. (App. II contains additional details on OFPP's authorized staffing levels and actual expenditures since fiscal year 1974.)

Objectives, Scope, and Methodology

We initiated this review as part of our ongoing effort to assess overall operations of federal central management agencies. A panel of individuals with extensive experience in government procurement was formed. (See app. III.) We worked with them in developing our overall approach and also obtained from them additional guidance as the review progressed. To evaluate OFPP's effectiveness and leadership in the past and to gather a broad range of views about its future role, we obtained the views of individuals with extensive procurement expertise in both government and private industry. Particularly important were the views of those who must use the procurement system: procurement executives responsible for overseeing government agency procurement systems and knowledgeable representatives from industry.

Our objectives were to determine

- whether the procurement community perceives a need for a government-wide central policy office for procurement,
- which procurement policy functions the procurement community believes OFPP should have,
- which organizational and management factors the procurement community believes promote or hinder OFPP's achievement of its mission, and
- how effective OFPP has been in carrying out its congressionally mandated functions.

We used a mail questionnaire directed to government and private industry procurement experts and follow-up interviews or group discussions. We also interviewed numerous key OFPP officials and interviewed other procurement experts, including former OFPP Administrators and current and former senior officials from OMB. Furthermore, we interviewed additional procurement experts from government agencies, the military services, the Defense Logistics Agency, and private industry who were recommended to us by our consultant panel. In addition, we collected

and analyzed correspondence and documents from OFPP. The audit work was completed between November 1986 and May 1987.

Questionnaire

We developed a structured mail questionnaire to obtain opinions and information from procurement experts about a variety of issues affecting OFPP, such as the need for OFPP, the proper location for OFPP, OFPP's past performance, and the importance of various procurement issues and who should address these issues. We pretested the questionnaire with several members of the procurement community and obtained comments from the OFPP staff before distribution.

Our survey population consisted of: (1) procurement executives at 24 government agencies which, in fiscal year 1985, collectively purchased over 95 percent of the government's goods and services and (2) 52 industry representatives who had extensive experience in government procurement. The response rates for these groups were 100 percent and 92 percent, respectively. The results from the questionnaire items used in this report are based on the number who answered each item. On average, the maximum number who failed to answer an item was one.

To identify industry representatives, we asked eight major private industry associations to identify up to seven association members with extensive experience in government procurement. The associations' overall membership includes 71 of the top 100 contractors in terms of combined sales to DOD and civilian agencies for fiscal year 1985. The associations identified 52 such experts, of whom 48 returned questionnaires and participated in follow-up meetings. Associations varied in the number of representatives participating in our study. However, we did not find that the number of respondents from an association influenced the results.

Follow-Up Meetings

We requested follow-up interviews with all questionnaire respondents so they could fully present their opinions. All but 1 of the 24 procurement executives agreed to participate in a personal interview about their questionnaire responses. We held small group conferences for the industry representatives from six of the eight associations. However, because two associations were unable to arrange group conferences, we interviewed their members individually by telephone.

Our review was performed in accordance with generally accepted government auditing standards.

Need Still Exists for a Central Procurement Policy-Making Office

In general, both government and private sector procurement experts whom we contacted believe that a central procurement policy-making office is needed to oversee the government's procurement system. They support the reauthorization of OFPP, and believe that OFPP can improve the effectiveness of the government's procurement system. They believe that OFPP can accomplish such tasks as considering the procurement community's views on major issues, ensuring uniformity within the FAR and its supplements, coordinating the executive branch position on new legislation, and working to professionalize the procurement work force. While a majority of the procurement executives and industry representatives in our survey believe that OFPP should be located in OMB, a substantial minority believe that OFPP should be independent.

Agency Needed to Oversee Procurement

Both government and industry representatives contacted during our review agreed on the need for a central procurement policy-making office. Of those responding to our questionnaire, 75 percent of the government procurement executives, along with 94 percent of the industry representatives identified a great or very great need for a central office to provide overall policy guidance and leadership for the federal procurement system. These experts, along with other procurement experts contacted during our review, pointed out that despite attempts to simplify and improve the procurement system—such as the implementation of Executive Order 12352 and the issuance of the FAR—the system remains extremely complex. Central leadership, they believe, is needed to address many remaining procurement problems. Government officials and industry representatives overwhelmingly identified OFPP as the agency that could best provide overall direction and leadership for the procurement process. More specifically, 88 percent of the government procurement executives along with 98 percent of the industry representatives, agreed that OFPP, as either part of OMB or as an independent agency, could best provide the necessary direction and leadership.

Both government procurement executives and industry representatives believe that OFPP can, if properly structured and staffed, improve the effectiveness of the government's procurement process. Seventy-eight percent of the government procurement executives, along with 83 percent of the industry representatives, believe that OFPP, if given the necessary authority, support, and resources, can at least moderately improve the procurement process' effectiveness. Thirty-five percent of government executives and 50 percent of the industry representatives expected such an OFPP to bring about great or very great improvement.

Less than 5 percent of each group believe that OFPP, under those circumstances, would bring about little or no improvement.

Major Reasons Cited for Central Policy Office

Although procurement executives and industry officials expressed a variety of reasons for maintaining a central procurement policy office, several major reasons emerged from discussions with both groups. According to the respondents, OFPP should

- consider all procurement community concerns and develop consistent policy on cross-cutting procurement issues,
- monitor and enforce uniformity in procurement policy and regulations,
- coordinate the executive branch position on procurement legislation, and
- ensure that the federal procurement work force has the necessary skills.

Consider All Community Concerns

Of the individuals responding to our questionnaire, 96 percent of the government procurement executives, along with 100 percent of the industry representatives, want OFPP to continue to solicit viewpoints of interested parties regarding procurement issues. Respondents believe that executive agencies, industry, and other procurement related groups or experts should have an opportunity to make their viewpoints known to OFPP. Some procurement executives noted that OFPP, as a central policy office, is in a unique position to receive input about procurement issues from all members of the procurement community. Industry representatives agree that a central policy office can serve as a forum for all interested parties, and emphasize the need to allow the private sector to make its views known on government-wide procurement issues.

Ensure Uniformity of Regulations

Industry representatives and government procurement executives agreed that the maintenance of uniformity within the FAR and the elimination of inconsistencies between the FAR and its agency supplements is a major concern. Most of those surveyed, especially the industry representatives, believed that ensuring consistency in formulating procurement policies and regulations among federal agencies was a major reason for having a central policy-making office. They stated that the government should seek more standardization in procurement policies and regulations to facilitate economy and efficiency in obtaining needed goods and services. They also stated that without a central office, each agency could develop its own procurement methods which may not be the most economical or efficient.

Further, some government procurement executives noted that the private sector should have only one set of procurement rules governing their actions, regardless of the department or agency involved. In addition, officials from both government and industry stated that a central procurement policy office was needed to insure the FAR councils agree on issues and act in a timely manner and to insure the two councils coordinate their activities.

Coordinate Executive Branch Position on Legislation

Both industry representatives and government procurement executives believe that OFPP is needed to coordinate the development of an executive branch position on proposed procurement legislation. This function is currently assigned to OFPP, and 100 percent of the procurement executives and 94 percent of the industry experts believe that OFPP should retain this function. Seventy-five percent of these respondents believe OFPP should formulate an executive branch position for all procurement related legislation. The remainder believe that OFPP should perform this function only when requested, or in other special circumstances.

Some procurement executives suggested that OFPP should work more closely with the Congress to develop needed procurement legislation while eliminating legislation that attempts to micro-manage the procurement process. They pointed out that the 99th Congress considered over 200 pieces of procurement related legislation. OFPP, they believe, could use its procurement expertise to help the Congress focus on only the most necessary legislative issues. In so doing, they believe that OFPP would also provide a very useful service to both the Congress and the executive agencies.

Professionalize the Procurement Work Force

OFPP is responsible for providing for the Federal Acquisition Institute, a research and management facility dedicated to acquisition work force issues, to foster and promote government-wide career management programs for a professional procurement work force. (The relationship between OFPP and the Federal Acquisition Institute is discussed in greater detail on pages 26 and 27.) Both government and industry respondents identified a need for OFPP to foster greater professionalism within the government's procurement work force through the Federal Acquisition Institute. Seventy-five percent of the government procurement executives and 60 percent of the industry representatives believed that OFPP should have a stronger role in the Federal Acquisition Institute's management. In addition, government procurement executives and industry representatives were nearly unanimous in their assertion

that professionalization of the federal procurement work force was one of the most important procurement issues facing the government. By overwhelming margins, they agreed that the skills and qualifications of the federal procurement work force was an issue that OFPP should address.

Location for OFPP

The Commission on Government Procurement grappled with the issue of where to locate OFPP. In the final analysis, the Commission recommended locating OFPP within OMB because this would give OFPP sufficient clout in dealing with the executive agencies.

The majority of both government procurement executives and industry experts believe that OMB is the proper location for OFPP. Of those responding, 57 percent and 69 percent of the procurement executives and industry officials, respectively, thought OFPP should remain within OMB. However, sentiment is still strong for having OFPP operate as an independent agency. Forty-three percent of the procurement executives and 29 percent of the industry officials believed that OFPP should be functioning as an independent entity.

In discussing this issue with the procurement executives and industry representatives in greater detail, we found that the primary motivating factor for wanting an independent OFPP was to enhance its clout and its credibility as an honest broker on procurement issues. This is the same reason given by many who believed OFPP should remain in OMB.

Past administrators also supported locating OFPP in OMB. They believe that this gave OFPP additional prestige and clout. However, they also stated that OMB's top management support is necessary if OFPP is to be effective.

OFPP's Performance Seen as Uneven, but With Progress Being Made

From its creation in 1974 through December 1986, OFPP's performance as the federal government's procurement policy leader has been uneven. Although OFPP did have some noteworthy achievements during the most recent authorization period—implementing the FAR and working on legislation for increasing competition for example—many of the procurement executives, industry officials, and other procurement experts rated OFPP's overall performance during this period as being no more than marginally effective. They observed that OFPP has not effectively performed several of its basic statutory functions, such as providing overall procurement policy direction and leadership, maintaining the FAR and reviewing FAR supplements, soliciting viewpoints from interested parties on procurement matters, and professionalizing the procurement work force. Some also believed that OFPP has not actively sought feedback from users of the procurement system and initiated action to address problems.

Procurement experts identified factors that they perceived as contributing to OFPP's uneven performance: a lack of strong management and leadership at OFPP, inadequate support from OMB, and a lack of staff resources. Few expect OFPP to improve the government's procurement system unless these problems are solved. However, the appointment of a new OFPP Administrator, along with recent OFPP initiatives, is encouraging.

Major Functions Not Seen as Effectively Fulfilled

Our analysis of comments received from procurement experts, along with the questionnaire results, indicates that OFPP has not effectively fulfilled several of its assigned functions. Many believe that OFPP's efforts to provide overall policy direction and leadership during the most recent authorization period have been at best marginally effective. Respondents want OFPP to more actively pursue needed changes within the federal procurement system. A majority of respondents believe that OFPP's actions with respect to maintaining the FAR system have been ineffective, and many suggested a strengthened OFPP role in the FAR maintenance process, including the review of agency FAR supplements. OFPP's efforts to solicit viewpoints on procurement issues and to professionalize the work force were also rated as no more than moderately effective by the majority of those surveyed.

Providing Overall Direction in Procurement Policy

OFPP is authorized to provide overall direction of procurement policy and leadership in the development of executive agency procurement systems. To do this, OFPP has several mechanisms which include proposing new legislation, testifying on proposed legislation, drafting OMB circulars, drafting executive orders, issuing regulations, and issuing policy letters. Table 3.1 summarizes the frequency with which OFPP has used various mechanisms during its three authorization periods since 1974.

Table 3.1: Summary of OFPP's Use of Policy-Making Mechanisms

	Number of Times Used		
Mechanism	Aug. 74-Sept. 79	Oct. 79-Sept. 83	Oct. 83-Dec. 86
Proposing legislation	a	a	9
Testifying on legislation	51	42	12
Drafting OMB circulars	3	6	4
Drafting executive orders	a	1	a
Issuing regulations	0	b	1c
Issuing policy letters	11	16	3

[a]Not available.

[b]OFPP's authority to issue regulations was rescinded during this period.

[c]OFPP was given limited authority to issue regulations during this period.

OFPP officials consider policy letters to be one of OFPP's most effective tools for influencing procurement policy. Although the issuance of such letters has dropped noticeably during the most recent authorization period, OFPP officials believe that this does not reflect a lessening of their effectiveness or performance. They believe that the decline in policy letters during the most recent authorization period reflects: (1) the completion of many issue areas proposed by the Commission on Government Procurement, (2) an increase in procurement legislation to address issues which earlier might have been subjects of policy letters, and (3) the creation and issuance of the FAR, which demanded most of OFPP's resources.

Most of the government procurement executives and industry representatives we contacted believe OFPP has been no more than marginally effective at providing overall procurement policy direction and leadership during the most recent authorization period, with 29 percent of procurement executives and 36 percent of industry representatives rating OFPP as "generally ineffective" or "very ineffective." Despite this, respondents rated OFPP's performance more favorably when considering not only the most recent period, but also OFPP's first two authorization periods. Table 3.2 summarizes these perceptions.

Table 3.2: Comparison of OFPP's Perceived Overall Effectiveness in Providing Procurement Policy Direction and Leadership

Figures in percent of respondents

Respondents	Very or generally effective since 1974	Very or generally effective since 1983	Marginally effective since 1974	Marginally effective since 1983	Generally or very ineffective since 1974	Generally or very ineffective since 1983
Procurement executives[a]	46	25	46	46	4	29
Industry officials[a]	23	13	60	51	15	36

[a]Percentages based upon responses received from 24 government procurement executives and 47 industry procurement representatives. Percentages may not add to 100 because one procurement executive and one industry official did not rate OFPP's effectiveness since 1974.

Many government procurement executives and industry experts believe that OFPP should be more active and more willing to take a leadership role in policy-making. The procurement executives (79 percent) and industry experts (96 percent) believe OFPP should be more active in evaluating polices and their implementation, identifying problems within the procurement environment, and recommending changes to promote a procurement system that best serves those who manage it and those who are served by it.

Maintaining a Current Reform Agenda

In 1982 OFPP issued its Proposal for a Uniform Federal Procurement System which included a procurement management system and an outline of the legislation needed to implement the new system. Those initiatives which could be enacted without legislation were incorporated into Executive Order 12352, Federal Procurement Reforms, which became OFPP's reform agenda. An executive committee was established to assist in planning and overseeing the executive order's implementation. The committee was composed of representatives of eight major procuring agencies along with the Small Business Administration and the Office of Personnel Management and was chaired by the OFPP Administrator.

The executive committee focused its efforts on three areas. Efforts in the first area focused on establishing a model charter for agency procurement executives to follow in overseeing the procurement activities at their respective agencies. This was accomplished in 1982 when OMB issued the Model Charter. The second area involved the promulgation of criteria for enhancing competition and for evaluating agencies' existing procurement systems. In 1984, OMB issued policy guidance dealing with criteria for enhancing competition and evaluating and certifying procurement systems. As of September 1987, 31 department and agency

procurement executives had certified their systems as being in compliance with the established guidelines. The third area dealt with establishing guidelines on various facets of procurement career management programs. In October 1985, OFPP issued guidelines on various facets of the procurement career management program. The Federal Acquisition Institute, as executive agent for OFPP, is directing the implementation of these guidelines.

OFPP officials stated that the 1982 agenda remained the OFPP's official management plan until March 1987. We found no evidence that the previous agenda had been revised to reflect what had already been accomplished, and to address new issues within the procurement community. Only in 1987 did OFPP's agenda recognize the changes which occurred as a result of developing the FAR and increasing competition.

In commenting on a draft of this report, OFPP said that while it was true that with the appointment of a new administrator in 1986, OFPP did start to move in new areas, this was not because of any failure on OFPP's part to recognize that the FAR and other initiatives were important. OFPP also noted that Executive Order 12352 was the first and only executive order directed solely at procurement reform and that it called for broad based procurement reforms that could only be implemented over a number of years.

Many survey respondents recommended that OFPP should more actively initiate procurement reforms and not simply react to the initiatives of others. They identified several issues that they believe are important to the procurement community and which OFPP should take a stronger leadership role in addressing. These issues include:

- Competition in government contracting—respondents noted that the Competition in Contracting Act needs monitoring and "fine tuning." They believe that OFPP should develop guidance to insure that the government always uses competition to its best advantage.
- Appropriate use of contract type—several respondents believe that OFPP should provide more guidance on the use of contracts, and should work to insure consistency while exploring innovative contracting techniques.
- Procurement of commercial goods and services—industry representatives in particular believe that OFPP could help create a more balanced approach to DOD's procurement of commercial goods and services not designed to military specifications.
- Roles of the Congress, executive agencies, and industry in the procurement process—some respondents believe that the Congress was passing

too much procurement legislation that attempted to micro-manage the procurement process.

Maintaining the FAR

OFPP is authorized to provide leadership in maintaining the FAR, to resolve differences between the two FAR councils, and to issue needed regulations if they fail to act in a timely manner. Since this system was established, OFPP has attempted to use this authority only once prior to 1987 and that was to change the "Rule of Two." This rule would have changed the criteria used by contracting officers to set aside contracts for small businesses. OFPP did not initiate this regulatory change; rather, OFPP responded to a congressional request to change the regulations. After the FAR councils refused to implement the requested change, OFPP drafted a proposed regulation and requested public comments. The proposal proved to be very controversial and OFPP eventually made no further efforts to implement this change.

Most of the industry representatives, along with a majority of the government procurement executives, believe that OFPP's FAR maintenance performance was no more than moderately effective. Forty-seven percent of the industry representatives and 38 percent of the government procurement executives believe that OFPP's performance has had little or no effect. It should be noted, however, that a substantial number of procurement executives (38 percent) were not sure of or could not judge OFPP's effectiveness in this area.

Eighty-five percent of industry representatives believed that OFPP's role should be strengthened with regard to maintaining the FAR. Many (63 percent) of those supporting a strengthened OFPP role supported the formation of a single FAR council chaired by OFPP, which could continue to prescribe regulations if council members failed to agree. Procurement executives were less supportive of such a change, with only 50 percent agreeing that OFPP's role should be strengthened. Among this group, 83 percent supported the single council concept.

Reviewing FAR Supplements

Under the FAR system, individual agencies are permitted to issue supplementary regulations to meet specific agency needs, although these supplements cannot duplicate the FAR and must be consistent with it. OFPP can review FAR supplements and other agency procurement regulations and recommend to the OMB Director that duplicate, inconsistent, or other

inappropriate regulations be rescinded. Through October 1986, OFPP limited its role in reviewing supplements to those which involved interagency procurement policy issues. This approach defined differences in procurement policy among the three DOD services as DOD concerns and outside of OFPP's jurisdiction. This was the approach described by the previous administrator, and it was continued under subsequent acting administrators. Between April 1984 and December 1986, OFPP did not recommend that any supplemental regulations be rescinded, although the DOD Inspector General recently determined that 20 percent of the lines in the DOD FAR supplements were not in accordance with the FAR.[1]

Industry representatives, in particular, were not satisfied with OFPP's performance reviewing agency supplements. Many perceived that agency supplements were inconsistent about some issues; they also emphasized that OFPP, as the central policy office, should investigate the proliferation of supplements. Ninety-two percent of industry representatives believed that OFPP should have a stronger role in insuring that only essential agency supplements remain in the FAR system. In contrast, only 38 percent of the procurement executives believed that OFPP should have an expanded role. The procurement executives who believe that OFPP's role should remain unchanged also believe the existing process gives them much needed flexibility to address specific agency needs.

In its comments on this report, OFPP noted that it has recently reemphasized its regulatory role. It stated that in the 9-month period ending on September 30, 1987, it had reviewed 68 proposed procurement regulations, and provided comments or raised objections to 35. Similarly, OFPP analyzed 46 proposed procurement paperwork cases (submitted to OMB by the agencies for clearance in accordance with the Paperwork Reduction Act) and provided comments or raised objections on 18 of them.

Soliciting Viewpoints of Interested Parties

OFPP is required to establish criteria and procedures to ensure the effective and timely solicitation of the viewpoints of interested parties in the development of procurement policies, regulations, procedures, and forms. To address this requirement, OFPP has issued a policy letter which established uniform criteria and procedures the executive agencies will use to get the views of interested parties. It required that notice of all

[1]DOD's Implementation of the Federal Acquisition Regulation, DOD Inspector General Audit Report, January 28, 1987.

significant policies and procedures be published in the Federal Register for comments at specific time periods.

Despite this requirement, many procurement experts do not believe that OFPP has effectively insured that views will be solicited by agencies during the development of polices, procedures, and forms. Industry representatives, for example, are not satisfied with the present process of publicizing changes to the government's procurement regulations and receiving public comments. Many believed that by the time a draft regulation is published, significant changes will not be made in response to public comments. Industry representatives do not believe their comments are seriously considered. They believe agencies have already invested much time and effort in the draft regulation, and are therefore, unwilling to make meaningful changes.

Professionalizing the Work Force

As part of the work being done under Executive Order 12352, a task force examined procurement work force issues. It developed guidance on various facets of procurement career management programs within the federal government. OFPP, which is authorized through the Federal Acquisition Institute to foster and promote government-wide career management programs for a professional procurement work force, provided copies of this guidance to federal procurement executives to help them in developing their agency's system.

OFPP's 1983 reauthorizing legislation placed the Federal Acquisition Institute within the GSA, with GSA functioning as the executive agent on behalf of OFPP. Despite OFPP's responsibility to provide the Federal Acquisition Institute with policy guidance, we found little evidence of interaction between the two. Although the Federal Acquisition Institute was transferred to GSA in January 1984, it was not until October 1, 1986, that a Memorandum of Understanding between GSA and OFPP regarding the Federal Acquisition Institute was signed. This memorandum assigns OFPP a "policy oversight role," although OFPP has provided little guidance to the Federal Acquisition Institute on projects or goals since that time. The Institute had 13 staff members on board when it moved to GSA; as of February 1987, it had 6 staff members. The Institute has been assigned additional procurement training responsibilities within GSA which officials told us may limit their ability to carry out overall Institute responsibilities relative to the entire federal work force.

Government procurement executives were not satisfied with OFPP's efforts to professionalize the procurement work force through the Federal Acquisition Institute during the most recent authorization period. None of the respondents believe that OFPP had been more than moderately effective in this area, with 42 percent describing OFPP's performance as being of "little or no effectiveness." Most industry representatives, having little contact with the Institute, were unable to judge OFPP's performance, although during conferences industry experts strongly stated the need for the government to develop a cadre of procurement professionals.

More Active Policy Oversight Needed

We examined OFPP's methods for formulating and implementing required policy before the current administrator's appointment. We found that OFPP's established procedures for gathering data, formulating policy, and implementing policy were in place. However, the policy-making process also depends on obtaining timely feedback and taking necessary action based on this feedback. We found a reluctance on OFPP's part, particularly when operating under an acting administrator, to initiate actions in response to the feedback received from the procurement community.

The previous OFPP Administrator used a management council—the Federal Procurement Council, composed of agency procurement executives—and periodic public meetings with industry officials to disseminate as well as gather information and obtain feedback on how the procurement system was operating. These meetings were held regularly and discussions of issues were substantive and useful, according to the former administrator.

However, during the most recent period when OFPP had no appointed administrator, scheduled Federal Procurement Council meetings were often canceled, representatives of the procurement executives rather than the procurement executives frequently attended, and, according to participants, much of the subject matter dealt with OFPP providing information with very little discussion or feedback to OFPP. Furthermore, OFPP's public meetings with industry officials ceased.

Many government procurement executives expressed concern about OFPP's use of the Federal Procurement Council during this period. Fifty-eight percent of the procurement executives believe that OFPP has been no more than moderately effective at using this feedback mechanism, including 17 percent who believe that OFPP's use of the council has had

little or no effectiveness. Conversely, 25 percent believed that OFPP had been very effective in using the council.

Private industry representatives were also concerned about OFPP's lack of an effective mechanism for receiving feedback on the procurement system. For example, we were repeatedly told that within DOD, policies often varied among services and sometimes between different commands within the same service. The Navy's approach toward the funding of research and development was of particular concern. The Navy's policy was viewed as shifting a greater financial burden to the contractors than the policies of other services. However, several industry officials did not feel that OFPP had an adequate formal channel for receiving this type of information and initiating necessary corrective action.

OFPP officials agreed that the councils had become less effective as a feedback mechanism since the departure of the previous administrator in 1985. The acting administrator was instructed to serve as a caretaker until the appointment and confirmation of the next OFPP Administrator, and not to initiate new action. As a result, maintaining policy oversight, obtaining user feedback, and initiating corrective action became lower priorities at OFPP.

Factors Limiting OFPP's Effectiveness

We asked the procurement experts to identify factors which they believed inhibited or limited OFPP's effectiveness in fulfilling its statutory functions. They focused on three major factors: lack of strong OFPP management and leadership, inadequate support from OMB, and a lack of adequate staff resources. Most also believe that these factors must be addressed if OFPP is to be an effective procurement policy leader.

Lack of Strong Management and Leadership

Many experts criticized OFPP for displaying a lack of strong management and leadership. For example, of those responding to our questionnaire and believing that OFPP had been relatively ineffective managing the FAR, 71 percent of government executives and 70 percent of industry respondents indicated that a lack of strong management or leadership contributed to this outcome. Similarly, of those dissatisfied with OFPP's efforts to professionalize the work force, 67 percent of procurement executives and 44 percent of industry representatives saw a lack of strong management or leadership as contributing to OFPP's performance. Lack of leadership or management was also a major factor cited by those who believe OFPP did not effectively solicit viewpoints on procurement issues,

and also by those who believe that OFPP does not effectively use the Federal Procurement Council to obtain feedback on the procurement process.

Some also suggested that OFPP's frequent, and sometimes lengthy, periods of time in which it operated without an appointed administrator have contributed to this perceived lack of leadership and management. In total, there have been five administrators with tenures ranging from less than 1 year to 3-1/2 years. (See app. III for a list of tenures of each administrator.) Furthermore, during four extended periods totaling 3-1/2 years, OFPP operations were directed by acting administrators. Acting administrators were perceived as caretakers, simply holding OFPP together until a new administrator was appointed and confirmed. Some experts believed that the long period without an appointed administrator was directly responsible for OFPP's uneven performance during the most recent reauthorization period. They noted that OFPP's major accomplishments—implementation of the FAR and its efforts supporting the Competition in Contracting Act—occurred when OFPP had an appointed administrator. This administrator departed and was not replaced for nearly 2 years, which some members of the procurement community interpreted as an indication of lower priority and prestige for OFPP within OMB.

Inadequate Support From OMB

The Commission on Government Procurement recommended placing OFPP in OMB to insure that the OFPP had sufficient authority. To function effectively in the procurement environment, the Commission believed that OFPP needed strong linkages to top officials at OMB. Ninety-one percent of government procurement executives and 91 percent of industry representatives agreed that sufficient support from OMB is of great or very great importance to the successful achievement of OFPP's mission. Former OFPP Administrators contacted during our review agreed that support from OMB's top management was needed to insure success of OFPP initiatives. In fact, they believed they had been most effective at OFPP when they had such support.

Some survey respondents did not believe that this necessary support is always present. For example, of those who believe that OFPP was not effectively maintaining the FAR, 50 percent of government executives and 63 percent of the industry representatives believe that a lack of OMB support contributed to OFPP's performance. Lack of OMB support was also a factor cited by those who believe OFPP did not effectively solicit viewpoints on procurement issues, and by those who believe that OFPP

had not been doing enough to professionalize the procurement work force.

Lack of Adequate Staff Resources

As envisioned by the Commission on Government Procurement, OFPP would be staffed at all levels by knowledgeable senior procurement experts, and that such assignments would be highly desirable. Our survey respondents overwhelmingly agreed that sufficient procurement expertise within OFPP is a factor of great or very great importance to the achievement of OFPP's mission. However, at times, OFPP has not been able to attract and retain needed staff; we were told that this becomes even more difficult when OFPP's authorization is about to expire and people are reluctant to work for an agency which may cease to exist in the near future.

In addition, OFPP is not viewed as having a staff with extensive procurement expertise. Some suggested that a rotational program between OFPP and the executive agencies is needed to insure that OFPP staff remains current and up-to-date.

Some procurement experts believe that OFPP did not effectively complete its statutory tasks due to a lack of staff resources. OFPP has traditionally maintained a small staff and is currently authorized 25 slots. The level of staff on-board declined to 13—8 professional and 5 support staff—by June 1986. Some believe that this decline reflected OMB's lack of concern for OFPP, and that given OFPP's broad responsibilities, little can be expected from such a small staff.

Little Expectation of Improvement

Many government procurement executives and industry representatives believe that the factors which have limited OFPP's effectiveness in the past need to be overcome for OFPP to be an effective leader within the procurement community. Forty-five percent of the procurement executives, along with 45 percent of the industry representatives, believed that, if allowed to continue with the same functions, authorities, resources, and organizational relationships as in January 1987, OFPP would create little or no improvement within the government procurement system. Less than 5 percent of each group expected great or very great improvement under these circumstances.

Steps Taken to Increase Effectiveness

Recently, steps have been taken to increase OFPP's effectiveness. The appointment and confirmation of a new OFPP Administrator has brought some stability to OFPP's leadership. Renewed support from the Director and Deputy Director at OMB is also evident and OFPP has filled several vacancies. At the time we talked with procurement experts from government and industry, little was known about how these changes would affect OFPP's performance. However, OFPP's recent actions have begun to address several of the concerns raised by these experts during our discussions.

For example, OFPP has begun to enforce government-wide regulatory consistency through review of all proposed and final federal procurement regulations. On June 5, 1987, OFPP instructed DOD to rescind its rules on retaining amounts, without cause, from progress payments under federal construction contracts. According to OFPP, several defense contractors complained that DOD's policy was in conflict with both the FAR and an earlier OFPP policy letter. In response, OFPP issued instructions for DOD to rescind this policy and DOD has agreed to do so. In another case, OFPP expressed its concern to the Defense Acquisition Regulatory Council over proposed changes to the FAR involving the amount of funds that can be withheld to protect the government's interests from amounts due to contractors under cost and cost-plus-fee type contracts. OFPP wanted additional information which included why existing procedures were no longer adequate, what effect such inadequate protection had in the past, and what other alternatives were available to protect the government's interest. In response, the council began developing alternatives which would provide the federal government with greater flexibility in applying withholding fees. OFPP also intends to use its statutory authority to recommend rescission of supplements not consistent with the FAR. For the period from February 1987 through October 1987, OFPP has completed action on 73 regulatory reviews. In 70 of these reviews OFPP has recommended that the regulation be approved and in the remaining 3 reviews has recommended that the regulation be disapproved. Of the 70 reviews in which approval was recommended, OFPP provided additional comments on 33.

In commenting on this report, OFPP noted that in addition to enforcing government-wide regulatory consistency, it has developed a comprehensive agenda which includes initiatives to:

- restore the authority of contracting officers;
- draft a consolidated, simplified procurement statute applicable government-wide;

- simplify contracting procedures while favoring the purchase of commercially available items;
- streamline the regulatory development process; and
- improve procurement data collection, streamline the procurement process through more use of automation, and make better use of its testing authorities.

Conclusions and Recommendations

Conclusions

We believe the need for a centralized government-wide procurement policy-making office still exists. Both government and private sector procurement experts believe that a central procurement policy-making office is needed to oversee the government's procurement system, and they support OFPP's reauthorization. This support of OFPP by government procurement executives is particularly important, since OFPP needs agency input and assistance to be effective.

Past actions, such as the creation of the FAR system, are indicative of OFPP's potential to bring about positive change. The procurement community looks to OFPP for similar leadership in carrying out its current functions: considering the procurement community's views on major issues, ensuring uniformity within the FAR and its supplements, coordinating the executive branch position on new legislation, and working to professionalize the procurement work force.

However, from its creation in 1974 through December 1986, OFPP has not always successfully accomplished its basic statutory functions. The results of our work have shown that OFPP has missed opportunities for critical involvement in procurement issues since its establishment. Our survey of procurement experts indicated that this was particularly true during its most recent authorization period. Rather than actively identifying problems and initiating corrective actions, OFPP appeared (1) willing to react to the initiatives of others and (2) reluctant to initiate action based upon feedback provided by the procurement community. We believe that active involvement of OFPP with assertive leadership and linkages to the Director of OMB and the procurement community can only enhance federal government procurement operations.

Factors identified as contributing to OFPP's perceived ineffectiveness include a lack of strong management and leadership at OFPP, inadequate support from OMB, and a lack of adequate OFPP staff resources. Each of these is reflected in the fact that during much of this period, OFPP operated without an appointed administrator.

Recent events, however, are reason for optimism. A new OFPP Administrator has been appointed and confirmed, ending a period of almost 2 years without an appointed administrator. OFPP has also filled several vacancies. This may address OFPP's staff resource needs, and many believed that it indicates increased OMB support for OFPP. OFPP has also begun to use its existing authority more assertively, demonstrating the type of leadership that the Commission on Government Procurement envisioned for this small office of procurement professionals, and that it

deemed so essential to OFPP's success. While these steps indicate that OFPP is taking the needed action for establishing its leadership role, continuation of such efforts will be critical to its success as a central focal point for policy formulation.

Recommendations

We recommend that the Director of OMB provide the support needed to assure that OFPP will be able to effectively perform its functions such as those concerning

- overall procurement policy direction,
- coordination in developing executive branch positions on procurement related legislation, and
- leadership in dealing with procurement work force issues.

Because effective and dynamic leadership is such a critical ingredient to the success of such a small central office, we also recommend that the Director of OMB insure that the position of OFPP Administrator does not remain vacant for long periods. The timely appointment and confirmation of an administrator is important to demonstrate commitment to OFPP's mission.

Agency Comments

In its comments on a draft of this report, OFPP said that in general it provided a useful assessment of OFPP's performance since reauthorization of the Office in 1983. OFPP made several specific suggestions and we incorporated most of them in the final report. OFPP also expressed the view that in some parts of the draft report the questionnaire results were presented as facts rather than opinions. We have attempted to assure that the source of all data used in the report is accurately presented.

OFPP noted several instances where it felt only negative perceptions were reported without providing insight as to how to solve the problems that exist. Our primary objective in conducting this review was to determine whether the procurement community believed that a central procurement policy-making office was still needed and, if so, what office should fill that role. In exploring this issue with respondents to our questionnaire, they commented on areas where they believed OFPP was falling short of fulfilling some of its functions. We did not attempt to develop solutions to all of the problems, however, we did attempt to report their perceptions with the expectation that such information would be useful to OFPP in developing its future agenda.

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OFPP's Functions and Authorities

Public Law 98-191 delineates the authority and functions of the OFPP Administrator. Excerpts from this act are included below.

The Administrator shall provide overall direction of procurement policy and leadership in the development of procurement systems of the executive agencies. To the extent that the Administrator considers appropriate, in carrying out the policies and functions set forth in this act, and with due regard for applicable laws and the program activities of the executive agencies, the Administrator may prescribe government-wide procurement policies which shall be implemented in the single system of government-wide procurement regulations and shall be followed by executive agencies in the procurement of—

(1) property other than real property in being;
(2) services, including research and development; and
(3) construction, alteration, repair, or maintenance of real property.

In any instance in which the Administrator determines that DOD, NASA, and GSA are unable to agree on or fail to issue government-wide regulations, procedures, and forms in a timely manner, the Administrator may, with due regard for applicable laws and the program activities of the executive agencies, prescribe government-wide regulations, procedures, and forms which shall be followed by the executive agencies in the procurement of—

(1) property other than real property in being;
(2) services, including research and development; and
(3) construction, alteration, repair, or maintenance of real property.

The functions of the Administrator shall include—

(1) providing leadership and ensuring action by the executive agencies in the establishment, development, and maintenance of the single system of simplified government-wide procurement regulations and resolving differences among the executive agencies in the development of simplified government-wide procurement regulations, procedures and forms;

(2) coordinating the development of government-wide procurement system standards that shall be implemented by the executive agencies in their procurement systems;

(3) providing leadership and coordination in the formulation of the executive branch position on legislation relating to procurement;

(4) providing for a computer-based Federal Procurement Data System which shall be located in the GSA (acting as executive agent for the Administrator) and shall collect, develop, and disseminate procurement data;

(5) providing for a Federal Acquisition Institute which shall be located in the GSA (acting as executive agent for the Administrator) and shall

(a) foster and promote government-wide career management programs for a professional procurement work force and

(b) promote and coordinate government-wide research and studies to improve the procurement process and the laws, policies, methods, regulations, procedures, and forms relating to procurement by the executive agencies;

(6) establishing criteria and procedures to ensure the effective and timely solicitation of the viewpoints of interested parties in the development of procurement policies, regulations, procedures, and forms;

(7) developing standard contract forms and contract language in order to reduce the government's cost of procuring property and services and the private sector's cost of doing business with the government;

(8) completing actions, as appropriate, on the recommendations of the Commission on Government Procurement.

OFPP's Expenditures and Authorized Staffing Levels

Expenditures in millions

Fiscal years	Expenditures	Authorized staff level
1975	$0.2	4
1976	0.9	20
1977	1.5	27
1978	1.6	28
1979	2.7	45
1980	2.9	45
1981	2.6	42
1982	2.4	41
1983	2.3	41
1984	2.6	41
1985	1.6	25
1986	1.5	25
1987	1.7	25

Note: Federal Acquisition Institute staff and budget was included in OFPP totals for FY 79 - FY 84.

Our Consultant Panel for OFPP Review

Mr. Ray Kline	President of the National Academy of Public Administration and former GSA Deputy Administrator
Gen. Robert T. Marsh	Former Commander of the Air Force Systems Command
Mr. Robert C. Moot	Former Assistant Secretary of Defense (Comptroller) and former Administrator of the Small Business Administration
Mr. Thomas D. Morris	Former Assistant Comptroller General and former Assistant Secretary of Defense (Installations and Logistics)
Mr. Barry J. Shillito	Former Chief Executive Officer of Teledyne Corporation and former Assistant Secretary of Defense (Installations and Logistics)
Mr. Donald E. Sowle	Former OFPP Administrator and former Staff Director for the Commission on Government Procurement

OFPP Administrators and Their Terms of Office

Hugh E. Witt, December 1974 - January 1977 Vacant: February 1977 - March 1977
Lester A. Fettig, April 1977 - April 1979 Vacant: May 1979 - February 1980
Karen Hastie Williams, March 1980 - February 1981 Vacant: March 1981 - June 1981
Donald E. Sowle, June 1981 - January 1985 Vacant: January 1985 - November 1986
Robert P. Bedell, November 1986 - present

Comments From the OFPP Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL PROCUREMENT POLICY

OCT 1 1987

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for your September 8, 1987 letter regarding your draft report entitled, "GAO Assessment of the Office of Federal Procurement Policy." I appreciate your cooperation in allowing us to review the report.

In general, we believe the draft report provides a useful assessment of OFPP's performance since the reauthorization of the office in 1983. We do, however, have several specific suggestions concerning the report. These suggestions are set forth at Enclosure 1. An annotated copy of the report containing our suggested changes is provided as Enclosure 2.

Again, thank you for providing the report for our review. We will be glad to meet with you or your staff to explain or further discuss any of our comments.

Sincerely,

Robert P. Bedell
Administrator

Enclosures

Enclosure 1

OFPP Comments on Draft GAO Report
Entitled "GAO Assessment of the Office Of Federal Procurement Policy"

Executive Summary:

Now on p. 2.

1. Page 1, Background, first paragraph.

The words "regulations and procedures" should be removed from the eighth line and replaced with "procurement policy." This change will conform the report more closely to the basic authorities prescribed in the OFPP Act (41 U.S.C. 405). Similarly, the last sentence of the paragraph should be rewritten as follows: "The authority to prescribe Government-wide procurement regulations is shared among the General Services Administration, the National Aeronautics and Space Administration and the Department of Defense." A concluding sentence should then be added as follows: "OFPP's authority to issue regulations is limited to situations where GSA, NASA and DOD are unable to agree on or fail to issue Government-wide regulations in a timely manner." This, again, brings the report into agreement with the OFPP Act and eliminates the impression that GSA, NASA and DOD constitute the FAR Councils. Over 10 agencies are represented on the Civil Agency Acquisition Council, but only three, GSA, NASA and DOD, have Government-wide regulatory authority.

2. Page 1, Background, second paragraph.

The words "consultant panel," third line from the bottom of the page should be deleted or explained.

Now on p. 2.

3. Page 2, Results in Brief, first paragraph.

We suggest that the word "consistently" be added to the next to the last sentence as follows: "... OFPP has not "consistently" attained and maintained...." The sentence as presently written is an unequivocal statement that OFPP has never been effective.

Now on p. 2.

4. Page 2, OFPP's Performance Has Been Uneven, last paragraph.

We suggest that the first sentence be deleted. The sentence as now written, does not agree with the title of the paragraph. The sentence indicates

that OFPP performance has been even, i.e., marginally effective. The remainder of the paragraph should be rewritten as indicated on the enclosed copy. Where statements are made in the report on the basis of views or opinions, we suggest that they be presented as such and not as statements of fact unless substantiating empirical data are presented.

Now on p. 4.

5. Page 3, OFPP Using Authority more Assertively, second sentence.

The second sentence should be expanded as follows: "This is most evident in OFPP's more active review of all agency procurement regulations and in their issuance of several recent letters directing that specific procurement regulations be withdrawn or conformed to existing policy."

Chapter 1.

Now on p. 10.

1. Page 10, middle paragraph.

We suggest that the first two lines of the middle paragraph be changed to read: "The Federal Acquisition Regulation (FAR) was issued on April 1, 1984, under the respective regulatory authorities of the General Services Administration, Department of Defense, and National Aeronautics and Space Administration. The FAR was developed under OFPP leadership and is an attempt to consolidate common existing procurement...." As presently written, the two lines are erroneous. OMB did not issue the FAR, and the FAR effort was designed to consolidate common existing procurement regulations and not all procurement regulations. The first line of the last sentence of this paragraph should state, "An initial FAR maintenance proposal provided for OFPP to chair a single FAR maintenance...." As the sentence now reads, it appears that agreement had been reached on OFPP chairing a single council.

Now on p. 12.

2. Page 13, first paragraph.

The introductory clause, "According to OFPP officials," is not necessary and should be deleted. In the second sentence, reference to the "Executive Committee on Federal Procurement Reforms" should be deleted as this Committee has been cancelled. The second sentence would now read: "For example, OFPP chairs the Federal Procurement Council." The words

"Both Councils are" at the beginning of the third sentence should be changed to "The Council is ...." Suggest that the next to the last sentence of this paragraph regarding the obtaining of private sector views be modified to read as follows: "Also, representatives from the private sector can express their concerns on proposed policies to OFPP through correspondence or by regularly scheduled or informal meetings. Where appropriate, OFPP also holds public meetings to obtain views and suggestions."

Now on p. 12.
See comment 1.

3. Page 14, last paragraph.

It is suggested that the words "according to OFPP officials" be deleted on the first line of this paragraph. The sentence should be changed to read as follows: "OFPP always obtains comments from the procurement community on draft policy letters." Such comments have been received on all OFPP policy letters issued to date.

Now on p. 13.

4. Page 15, last paragraph, last sentence.

It is suggested that the words "are overly burdensome," be added to the last sentence as follows: "OFPP will also examine existing rules where it appears that such rules <u>are overly burdensome</u>, needlessly complicate the procurement process or are inconsistent with Federal Procurement Policy."

Now on p. 13.

5. Page 16, first paragraph.

We suggest that the words "Executive Committee on Federal Procurement Reforms and the" be deleted from the second line and that the word "participate" be substituted for "attend" in the fourth line. The Executive Committee has been cancelled and OFPP is often an active participant in budget review meetings and not just an attendee.

Now on p. 13.

6. Page 16, middle paragraph.

It should be noted in this paragraph that OFPP's current budget will only support a staff of 21. Accordingly, it is suggested that the following sentence be added between the next to last and last sentence of the paragraph: "This is the maximum number of positions that can be supported with OFPP's current budget."

Now on p. 14.

7. Page 16, last paragraph.

The second sentence should read as follows: "For Fiscal Year 1988, the President has requested a 54 percent funding increase for OFPP which, if approved, will result in a budget of $2.466 million." The increased funding request is reflected in the President's FY 88 budget request.

Chapter 2.

Now on p. 16.

1. Page 22, last paragraph, first sentence.

The words "and staffed," should be added after "structured" in the second line. The sentence should read as follows: "Both Government procurement executives and industry representatives believe that OFPP can, if properly structured and staffed improve the effectiveness of the Government's procurement process."

Now on p. 17.

2. Page 24, middle paragraph, first sentence.

The wording of the second and third line of this sentence should be changed to read as follows: "... agreed that the maintenance of uniformity within the FAR and the elimination of inconsistencies between the FAR and agency supplements is a major concern...." The present sentence indicates that agency FAR supplements should be uniform. Just the opposite is true. Agency supplements should contain agency unique regulations. Regulations common to two or more agencies should be in the FAR and not in agency supplements.

Now on p. 18.

3. Page 26, top paragraph, first sentence.

The first sentence should be changed to read as follows: "OFPP is responsible for providing for the Federal Acquisition Institute, a research and management facility dedicated to acquisition work force issues, and for fostering and promoting Government-wide career management programs for a professional procurement work force. The proposed wording is closer to OFPP's existing statutory authority than the present wording.

Chapter 3.

Now on p. 20.
See comment 2.

1. Page 28, first paragraph, second sentence.

The second sentence should be deleted. The connotation of this sentence is that GAO has empirical data to support the conclusion that OFPP's performance since its last reauthorization has, "been no more than marginally effective." To our knowledge, the only data supporting this conclusion are the responses to the opinion questionnaires that were circulated during the review. We suggest that if the sentence is retained, that it be prefaced to state that, "In GAO's opinion" (if it is indeed GAO's opinion), or "In the opinion of the majority of the respondents to the GAO survey, OFPP's performance has been no more than marginally effective." We also suggest that copies of the questionnaire be appended to the report.

2. Page 28, second paragraph, first sentence.

This sentence, as now written, is wrong and should be deleted. Since 1983, OFPP has convened 13 meetings of the Federal Procurement Council; 18 meetings of the Executive Committee on Federal Procurement Reforms; published numerous Federal Register notices on proposed policies and issues (e.g., Rule of Two); met with numerous interagency working groups, and completed a major review of the Federal Procurement Data System. All of these activities actively elicited feedback from users of the procurement system.

Now on p. 20.
See comment 2.

3. Page 29, first paragraph, first sentence.

We suggest that the word "shows" in the second line be replaced with "indicate." Again, the conclusion that OFPP has, "not effectively fulfilled several of its assigned functions" is based more on opinion than on fact. For example, what criteria or standards were used to distinguish "effective performance" from "ineffective performance?" Were the standards and criteria validated before use? What were their reliability and validity coefficients? We do not object to the report containing opinions or perceptions about OFPP's performance as long as such beliefs or opinions are not reported as irrefutable fact.

Now on p. 21.
See comment 3.

4. Page 29, bottom paragraph, last line.

We suggest that the words "issuing regulations" be deleted as OFPP has only limited regulatory authority.

Now on p. 21.

5. Page 30, Table 31.

The data shown in line 3, opposite "Drafting OMB Circulars" should be changed as follows: delete (a) under Aug 74-Sept 79 and replace with (3); delete (a) under Oct 79-Sept 83 and add (6); delete 11 under Oct 83-Dec 86 and add (4). In the last line opposite "Issuing Policy Letters" delete (8) under Aug 74-Sept and add (11); delete (13) under Oct 79-Sept 83 and add (16); delete (2) under Oct 83-Dec 86 and add (3).

Now on p. 21.

6. Page 30, last paragraph.

We suggest that this paragraph be rewritten as follows: "OFPP officials consider policy letters to be one of OFPP's most effective tools for influencing procurement policy. Although the issuance of such letters has dropped noticeably during the most recent authorization period, OFPP officials believe that this does not reflect a lessening of their effectiveness or performance. OFPP officials believe that the decline in policy letters during the most recent reauthorization period reflects: (1) the conclusion and completion of many issue areas proposed by the Commission on Government Procurement; (2) an increase in procurement legislation to address issues which earlier might have been subject of policy letters; and (3) the creation, issuance and maintenance of the FAR, which demanded most of OFPP's resources during this current period." One of the major differences that should be noted in comparing the numbered policy letters issued by OFPP during the immediate and past reauthorization periods is that many unresolved Commission on Government Procurement recommendations constituted a sizeable policy letter agenda for the previous periods. Many of the "easier issues" noted by the COGP have now been dealt with in policy letters and the ones remaining are difficult, involve contentious issues, and most will require legislation to resolve.

Now on p. 22.
See comment 4.

7. Page 31, Table 3.2.

This table is difficult to understand. The years at the top legend do not relate to OFPP's three previous reauthorizations, i.e., 1974-79; 1979-83 and 1983-87. The table purports to summarize "perceptions" presented in the paragraph that precedes it. It is difficult, however, to relate the table to the paragraph or the perceptions. We suggest that the table be clarified.

Now on p. 22.

8. Page 33, first paragraph.

We suggest that the references to "OFPP" in lines two and five be replaced with OMB. The model charter for Agency Procurement Executives (issued in 1982 and not in 1984 as indicated in the paragraph) and the criteria for enhancing competition were issued by the Director and Deputy Director, OMB, respectively. OFPP guided the preparation of both documents but they were actually issued by OMB. The reference to "policy letter" in line five should be changed to "policy guidance." OFPP did not issue a policy letter, instead the Deputy Director, OMB issued a memorandum to agency heads. The sixth line of the paragraph should be rewritten as follows: "... criteria for enchancing competition and evaluating/certifying procurement systems. As of September 1987, thirty-one." In the next to the last sentence of the paragraph the words "executive committee" should be deleted and replaced with OFPP.

Now on p. 23.

9. Page 33, second paragraph.

This paragraph implies that OFPP was negligent during the March 1982 to March 1987 period because it continued to focus the majority of its attention on the implementation of Executive Order 12352. Executive Order 12352 is the first and only Executive Order directed solely at procurement reform. It called for broad based procurement reforms that could only be implemented over a number of years. In 1986, with the appointment of a new Administrator, OFPP did start to move into new areas, but this was not because of any failure on OFPP's part to recognize that the FAR and other initiatives such as competition were important. OFPP started tracking and monitoring competition, at least as far back as 1982, if not before. It is recommended that this paragraph be deleted, or at

least, be redeveloped on a balanced basis.

Now on p. 24.

10. Page 34, last paragraph.

We suggest that the words "prior to 1987" be added to the 5th line and that the word "issue" in the fifth line be replaced with the word "change." OFPP did not attempt to "issue" the rule of two. The rule was "issued" years ago. OFPP attempted to replace the rule of two with a new rule. The new rule would have changed the criteria used by contracting officers in determining whether to set procurements aside for small business. Accordingly, the word "methods," in the sixth line should be deleted and replaced with "criteria." The method of setting a contract aside is still the same - it's done by determination of the contracting officer. Only the criteria used in making the determination would have been changed by the OFPP proposal. The last two sentences of this paragraph (top of page 35) should be changed to read as follows: "After the FAR Councils refused to implement the requested change, OFPP drafted a proposed regulation and requested public comments. The proposal to change the rule of two, however, proved to be very controversial and Congress eventually directed OFPP to make no further efforts to implement the change." Congress also provided guidance on this issue in the Defense Authorization Act of 1987 (P.L. 99-161) and additional action to change the rule is not expected at this time.

Now on p. 25.

11. Page 35, middle paragraph.

It is suggested that the following three sentences be added to the end of this paragraph: "OFPP has also recently reemphasized its regulatory role. In the nine month period ending, September 30, 1987, for example, the office had reviewed 68 proposed procurement regulations, and provided comments or raised objections to 35. Similarly, the office analyzed 46 proposed procurement paperwork cases (submitted to OMB by the agencies for clearance in accordance with the Paperwork Reduction Act) and provided comments or raised objections on 18 of them."

Now on p. 24.

12. Page 36, first paragraph, sixth line.

We suggest that the word "the" at the beginning of line six be deleted and that the words "duplicate, inconsistent, or other inappropriate" be inserted

in its place. This change is needed to qualify OMB's rescission authority which is limited to such circumstances.

Now on p. 26.

13. Page 37, last paragraph.

This paragraph states that "industry representatives" are not satisfied with the present process of publicizing proposed regulations. Merely stating industry's dissatisfaction is of little value or purpose. What is GAO's view on this issue? Are industry's concerns justified and valid? What different procedures, if any, should be used, etc.? We suggest that this paragraph be deleted or rewritten to address some of the above questions.

Now on p. 27.

14. Page 40, first paragraph.

The last sentence of this paragraph indicates that GAO found a reluctance by OFPP to "initiate needed changes." Either examples of the "needed changes" identified by GAO should be provided or the sentence should be deleted.

Now on pp. 27 and 28.

15. Page 41, second paragraph.

This paragraph is typical of several in the report. It alludes to a problem, accentuates the negative but offers no positive, constructive suggestions. The paragraph states that poor use has been made of the Federal Procurement Council and that 17% of the Procurement Executives believe the Council has had little or no effect. The paragraph does not acknowledge that 25% of the Procurement Executives considered the Council to be very effective, nor does it provide the specific concerns mentioned by the Procurement Executives.

Now on p. 31.

16. Page 46, last paragraph.

It is suggested that the third line be changed to: (1) add a period after the word "leadership" and (2) insert a new third sentence that would read: "Renewed support from the Director and Deputy Director of OMB is also evident and OFPP has acted to fill several longstanding vacancies."

Now on p. 31.

17. Page 47, last paragraph.

The fourth line of this paragraph should be rewritten as follows: "... DOD to rescind its rules of retaining amounts, without cause, from progress payments made under Federal Construction Contracts."

Now on pp. 31 and 32.

18. Page 47, addition of new paragraph.

A new concluding paragraph, to recognize other features of OFPP's agenda, should be added as follows: "In addition to its regulatory reform efforts, OFPP has developed a comprehensive agenda that includes initiatives to:

- restore the authority of contracting officers by establishing short, unambiguous lines of authority;
- draft a consolidated, simplified procurement statute -- applicable Government-wide;
- simplify contracting procedures--increase the potential for competition--while favoring the purchase of commercially available items;
- streamline the regulatory development process; and
- improve procurement data collection; streamline the procurement process through more use of automation; and make better use of its testing authorities to try out new, more efficient ways of doing business.

These initiatives, if carried out in the manner presently envisioned by OFPP, will result in substantial improvements in the procurement program."

Chapter 4.

Now on p. 33.

1. Page 48, last paragraph.

We suggest that the word "reveal" in the third line be replaced with "indicated." Opinion surveys do not normally "reveal" facts. They generally provide an indication of opinion which may or may not correspond to factual situations.

The following are our comments on OFPP's letter dated October 1, 1987.

Our Comments

1. The basis for our information is information contained in interviews with OFPP officials. While OFPP officials told us that they always obtain comments from the procurement community, we did not attempt to verify this statement.

2. In developing a methodology for assessing OFPP's effectiveness, we recognized that established criteria did not exist for assessing OFPP's performance. In this situation, we decided that the best measure of effectiveness would be the opinions of the users of the procurement system. We interviewed the procurement executives in the federal government whose agencies were collectively responsible for over 95 percent of the dollars spent. We also interviewed recognized procurement experts from private industry. Many of these also had experience as federal executives involved with procurement issues.

3. OFPP has the authority to issue regulations under specific circumstances.

4. The periods referred to in the top legend correspond to OFPP's first two authorization periods. The third period corresponds to the start of the third authorization period through December 1986. This closing date corresponded to the time when we were finalizing our questionnaire and provided a uniform framework for discussion purposes.

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